ELEXON

Issue 98 Workgroup 1 Summary

Summary

1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Overview of the issue
- Discuss potential solution options presented
- Discuss or suggest alternative solution options
- Confirm next steps

1.2 A Virtual Lead Party (VLP) representative suggested that it would be beneficial to have further representation from this type of participant in assessing Issue 98. Elexon agreed to seek further engagement from VLPs and Aggregators for future meetings.

2. Overview of the issue

2.2 The proposer and Elexon outlined the interaction between Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and dynamic parameters, communications from Ofgem on this matter, and relevant case history.

2.3 The group noted that these parameters were defined at the point at which generation was typically very large plant connected to the Transmission System. There are now lots of highly flexible plant that National Grid ESO (NGESO) says it wants in the Balancing Mechanism (BM) but the BM remains very unattractive if you own a highly flexible plant given the plant has to be turned off and on frequently.

2.4 When a hard and fast technical limit is set, it doesn't take into account the issues such as wear and tear on the plant, or other related factors so there is always a commercial aspect to dynamic parameters. Operators and traders will come up with this technical limit which may be as far as they are comfortable operating the plant in the prevailing conditions. However as has been seen with Stable Export Limit (SEL), it may sometimes be possible to go beyond those comfortable limits and reduce the level of their SEL, provided there is sufficient compensation to account for the extra costs of operating in this way.

2.5 Members suggested traders will frequently need to defer to power station colleagues for technical limits, and that the distinction between technical and commercial limits is not as clear as Ofgem set out in its letters.

2.6 Members briefly discussed decreasing Bid Offer Acceptance (BOA) prices for increased volumes in Bid-Offer Acceptances (BOAs), which is not currently allowed within the BSC. The view was that prices may decrease with increased Offer volumes as generators may move to a more efficient operating window. There would need to be a consideration of the current limits for market solving algorithms to see whether the restriction on decreasing BOA prices could be removed.

2.7 Members suggested that there are physical and commercial parameters competing and all physical operations are translated into a cost. The optimal value of that service versus the cost of the service will happen to be the point at which the operating regime becomes much more expensive or risky. This shows how the issue is more complex than potentially what the current arrangements are able to accommodate.

3. Solutions

3.2 **Would the ESO and Market see a benefit in change?**

3.2.1 The group agreed that smaller assets use dynamic parameters in the same way that larger BM units do.

3.2.2 NGESO noted that they don't disagree with the need to explore whether expanding the flexibility of dynamic parameters will offer more benefits to consumers. They will discuss internally and provide further comments.

3.3 Members established that for the majority of dynamic parameters there is not a clear distinction between technical and commercial ‘limits’.

3.4 The Workgroup asked Ofgem if the issue discussed was hard linked to the description in the grid code dynamic parameters, or is there an inherent requirement in REMIT or Transparency Regulations that requires the information to be made available. Ofgem will consider this as an action.

3.5 The Workgroup discussed three potential solutions

- Alter the definition of dynamic parameters
- Allow variations of BOA / dynamic parameters
- Create a new set of parameters

4. Types of parameters

4.2 The Workgroup agreed that all parameters were a mix of commercial and technical but some tend more towards one or the other :

- Run Up Rates / Run Down Rates – Technical, as there tends to be a relatively clearly defined maximum rate at which an asset can run up or run down, and multiple sets can be submitted to account for commercial optimisation.
- Notice to Deviate from Zero (NDZ) – Technical, as there tends to be a minimum amount of time required for an asset to begin ramping up.
- Notice to Deliver Offers (NTO) – Technical, as there tends to be a minimum amount of time required for an asset to begin varying output
- Minimum Zero Time (MZT) – Commercial, as there are a number of non-technical reasons defining whether an asset is able to start, including insurance requirements, emissions regulations and cooling/warming times.
- Stable Export Limit (SEL) – Commercial, as there are often increased risk factors with decreased SELs, meaning there is a strong interaction between cost to run and the ‘technical’ SEL limit.
- Maximum Delivery Volume (MDV) – Technical as there tends to be a maximum volume that an asset can deliver.

4.3 The Workgroup noted that even where a parameter is primarily technical there is a still a poorly defined line between whether a particular decision relating to it is technical or commercial. This is often defined by the person making the decision, either at the plant or by the commercial team.

4.4 The Workgroup noted a number of reasons that participants would want to use dynamic parameters for commercial signals:

- Issues around maintenance & costs (when plants have to come on and off)
- Considerations of emissions

5. Next steps/Actions

- **NGESO** will investigate benefits that the control room gains from the current sets of dynamic parameters.
- **NGESO** will investigate how they reflect the different configurations a CCGT can run under.
- **Ofgem** will consider whether changing the definition of a dynamic parameter from technical to commercial has a material impact on when information relating to those parameters may be considered to be misleading.
- **NGESO and Ofgem** will investigate whether each megawatt is treated equally. Is there a distinction between tech type and alternative services that each plant can offer? In that case, are the dynamics viewed any differently?
- **Elexon** will look to get more Aggregator and VLP membership for future meetings.
- Hold another Workgroup meeting in late January / early February 2022.